



**California Department of Public Health**

# **Funding for Public Water Systems**

**Lance Reese**

**Technical Programs Branch**

**Division of Drinking Water and Environmental  
Management**



# Major Funding Sources

## \* **Drinking Water State Revolving Fund 1998 (DWSRF)**

- Approximately \$140M annually:
  - This includes ~\$80M average from USEPA, \$16M from State match and \$40M+ from loan principal and interest returns
  - Provide for low-interest loans and some grants as well as set-aside activities such as DWSRF administration and technical assistance [HSC 116760.10 – 116762.60]
  
- Proposition 50 of 2002 (P50)
  - Authorized \$485M: Project grants (local assistance), state operations and match for DWSRF [WC 7950 – 79534]
  
- Proposition 84 of 2006 (P84)
  - Authorized \$300M: Project Grants (local assistance), state operations and match for DWSRF as well as \$10M for emergency grants [PRC 75020 – 75025]



# Proposition 50

- \$485 million to CDPH from 2002 bond measure
- Grant program
- Local match required except for small water systems and disadvantaged communities
- CDPH is no longer accepting pre-applications for Prop 50 funding (projects to be funded have been identified)
- Commitments sunset June 2014
- Provided \$90 Million State Match for the Drinking Water State Revolving Fund



# Proposition 84

- \$300 million to CDPH from 2006 bond measure
- Grant program
- No local match required
- CDPH is no longer accepting pre-applications for Prop 84 funding (projects to be funded have been identified)
- Commitments sunset June 2015 (sections 75022 & 75025)
- \$45.7 million for State Match for the Drinking Water State Revolving Fund



# Proposition 84

## Emergency Grants:

- Public Resources Code Section 75021 –\$10M allocated ~  
Approximately \$3M remaining
  - Emergency = sudden unanticipated event such as earthquake, fire, landslide, well collapse; no water!
  - Unique in that we can fund alternative water supply
  - Cap at \$250K per project
  - For very small projects, \$10K or less, we can authorize by oral agreement
  - New: allocate up to \$2 million of the remaining \$5 million for interim water supplies for communities exceeding a primary drinking water standard, \$50,000 maximum (also \$2 million from the State Water Board)



# Drinking Water State Revolving Fund (DWSRF)

## DWSRF Purpose:

- Affordable financing to bring eligible public water systems (PWS) into compliance with primary safe drinking water standards or otherwise significantly further the health protection objectives of the Safe Drinking Water Act
- To be operated so as to exist in perpetuity



# Drinking Water State Revolving Fund (DWSRF)

## FUNDING NEEDS

Category	EPA 2007 Needs Survey	CA DWSRF Priority List
Total Need	\$44.5 B	\$12.6 B
Regulatory Need (Treatment to comply with Primary MCLs)	\$8.5 B	\$1.5 B

## FUNDING SOURCES as of 10/1/13

Source	Cumulative to Date	Annual Amount
DWSRF – Federal+S.M.	\$1.6 B	\$75 M avg.
ARRA	\$149 M	--
Loan Repayments/Interest	\$264 M	40 M+



# Drinking Water State Revolving Fund (DWSRF)

- Eligible applicants for funding:
  - Community and non-profit, non-community public water systems (PWS), with some exceptions.
  - Such PWSs with the legal authority to enter into contracts and incur debt on behalf of the community to be served and owns the PWS [HSC116760.50].
  - Must have the technical, managerial and financial (TMF) capacity to own, operate and maintain its PWS upon completion of the construction project.



# Drinking Water State Revolving Fund (DWSRF)

## **DWSRF Project Priority Selection for funding (Section 35.3555 (c)(1)):**

To the maximum extent practical, priority for the use of funds will be given to projects that:

- Address the most serious risk to human health
- Are necessary to ensure compliance with the requirements of the Safe Drinking Water Act (including requirements for filtration)
- And assist systems most in need, on a per household income basis, according to State affordability criteria



# Drinking Water State Revolving Fund (DWSRF)

## Eligible projects:

The long term, cost-effective solution that achieves the following:

- Solves the problem for which the project was placed on the Project Priority List
- Ensures the PWS will have long term TMF to operate and maintain in compliance with State and Federal safe drinking water standards
- Provides a dependable source of safe drinking water for the long term
- Is both short-term and long-term affordable



# Drinking Water State Revolving Fund (DWSRF)

## ■ Planning Projects

- \$500K max funding/project
- Project must be completed within 36 months
- Eligible planning, design, construction & application costs are reimbursable
- Grant funding available for eligible PWS that serve “disadvantaged” or “severely disadvantaged” communities



# Drinking Water State Revolving Fund (DWSRF)

## ■ Construction Projects

- \$20M max funding/project
- \$30M max funding/PWS/capitalization grant
- Funding caps do not apply if applicant is willing to take an interest-bearing loan
- Project must be completed within 3 years
- Eligible planning, design, construction & application costs are reimbursable
- Grant funding available for eligible PWS that serve “disadvantaged” or “severely disadvantaged” communities



# Drinking Water State Revolving Fund (DWSRF)

- **DWSRF Loan and Grant Funding**
  - Low interest, 20-30 year (construction) and 5-year (planning) loans that are fully secured and collateralized.
  - Forgiveness of loan principal (grant) available to PWS that serve “disadvantaged” and “severely disadvantaged” communities, subject to loan affordability and eligible applicant type.
    - Eligible PWS that serve “severely disadvantaged” communities are found to be unable to afford a loan-receive and 100% grant funding, subject to maximum grant funding limitations.



# Drinking Water State Revolving Fund (DWSRF)

## Assistance to Small Water Systems

- TMF assistance from Funding Program staff and 3<sup>rd</sup> party contractors.
- Preliminary financial reviews for small water systems.
  - Identify Financial/Ownership issues.
  - Develop solutions.
- Small Water System Outreach office established in Fresno District Office.
- Technical Assistance from DWP District Offices on funding process.
- To the extent projects are “ready to proceed,” a minimum of 15% of the loan fund shall be provided to small water systems.



# Drinking Water State Revolving Fund (DWSRF)

## Small Water System Program Goal

- Overarching CDPH Goal: Promote social and physical environments that support good health for all.
  - 2,359 small community water systems supply drinking water to 1% of the population of California.
  - Baseline: 92% of small community water systems meet primary drinking water standards (vs. 95% for large systems).
  - Goal: Return approximately 21 systems to compliance per year, bringing the proportion compliant to 95% in 3 years.
  - Progress: 20 returned to compliance since began in 2012, 39 under construction or ready to proceed, 54 in planning, all targeted systems engaged in funding process



# Drinking Water State Revolving Fund (DWSRF)

## Mandatory TMF Requirements

Federal requirement that all PWS have the technical, managerial and financial capacity to own and operate their system upon completion of a SDWSRF funded construction project.

- Ownership of necessary water rights
- Ownership of PWS, including necessary:
  - Land, easements, long-term use agreements, etc.
  - Legal entity formation (i.e. Articles of Incorporation, LAFCO approvals, Charters, etc.)
- Capital Improvement Plan/Asset Management Plan
- 5-year budget and financially viable



# Drinking Water State Revolving Fund (DWSRF)

## Helping PWS Achieve TMF Capacity

- Third Party Contractors and the DWSRF Capacity Development Team provide technical assistance in achieving TMF:
  - Water Rate Studies
  - Trainings (i.e. board trainings, rate setting trainings, CIP trainings, etc.)
  - CIP Development
  - Asset Management Plan Development
  - Application development
  - Income surveys
  - General technical assistance



# Drinking Water State Revolving Fund (DWSRF)

## New DWSRF Funding Programs:

- Pre-Planning Funding:
  - Grant funds (max \$250K) to assist communities that lack a legal entity with the authority to contract with CDPH for receipt of DWSRF planning or construction funds
  
- Consolidation Incentive Funding:
  - Encourage viable PWS to consolidate and incorporate those PWS with public health drinking water problems, including TMF deficiencies
  - Encourage consolidation by offering such viable PWS affordable financing for an eligible drinking water project for their PWS that may not otherwise qualify as a high ranking public health priority within the DWSRF program



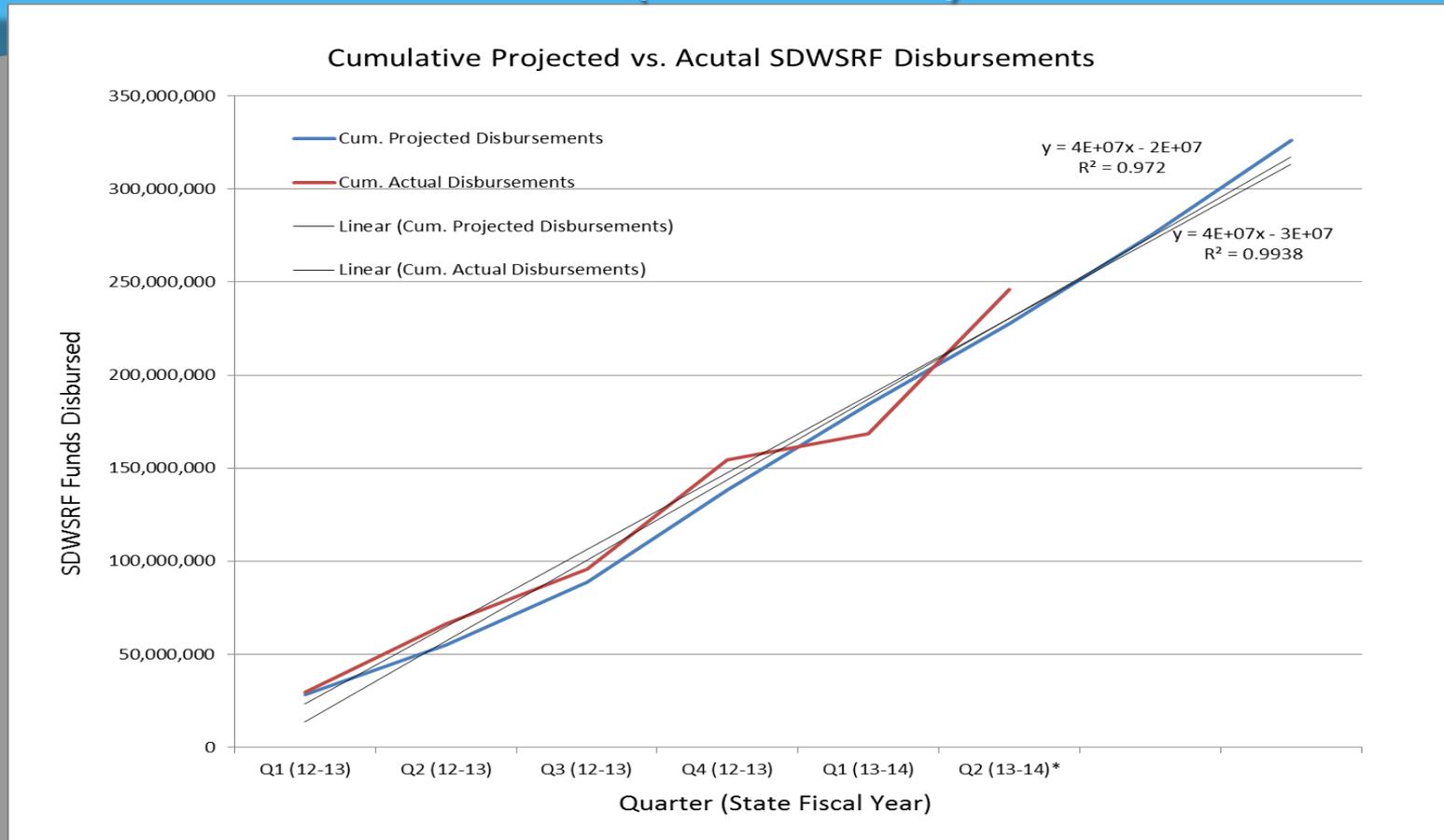
# Drinking Water State Revolving Fund (DWSRF)

## The DWSRF Corrective Action Plan (CAP)

- Major CAP Requirement
  - Implement a cash flow model for the over-commitment of DWSRF funds to achieve and maintain optimum “Federal” un-liquidated obligations (ULO)
    - Federal ULO = Sum total of undisbursed project funding from federal capitalization grants.
  - With CDPH having substantially committed all available funds, large Federal ULOs occurred as a result of the delay in disbursing funds due to multi-year construction and planning activities and only reimbursing projects when actual costs are incurred (well after the commitment of funds).
  - Now: Disbursements rapidly increasing and ULOs decreasing...



# Drinking Water State Revolving Fund (DWSRF)



**CDPH Accomplishment:** The DWSRF program has successfully implemented a cash flow model that is proving to be remarkably accurate in its projections.



# Drinking Water State Revolving Fund (DWSRF)

## The DWSRF Corrective Action Plan (CAP)

- Major CAP Requirement:
  - Achieve a federal ULO of less than \$160M by 6/30/2016
- CDPH Accomplishment:

DWSRF FEDERAL ULO		
10/1/2012	6/30/2013	6/30/2014 (Targeted)
\$455M	\$369M	Less than \$300M



# Drinking Water State Revolving Fund (DWSRF)

## The DWSRF Corrective Action Plan (CAP)

- Major CAP Requirement:
  - Disburse a cumulative amount of DWSRF project funding (federal + state match + loan repayments and interest) in accordance with the following schedule:

Achieve By	Cumulative Disbursement (since 7/1/2012)	CDPH Disbursement Accomplishment
6/30/2013	\$138 M	\$155 M
6/30/2014	\$321 M	
6/30/2015	\$621 M	
6/30/2016	\$878 M	



# Drinking Water State Revolving Fund (DWSRF)

## The DWSRF Corrective Action Plan (CAP)

- Major CAP Requirements
  - Commit \$356M in funding agreements by 9/30/2014

**CDPH Accomplishment:** CDPH's Fundable List projects \$356M in commitments for a diversity of projects for a diversity of PWS.



# Drinking Water State Revolving Fund (DWSRF)

## The DWSRF Corrective Action Plan (CAP)

### 2013 DWSRF Fundable List Statistics

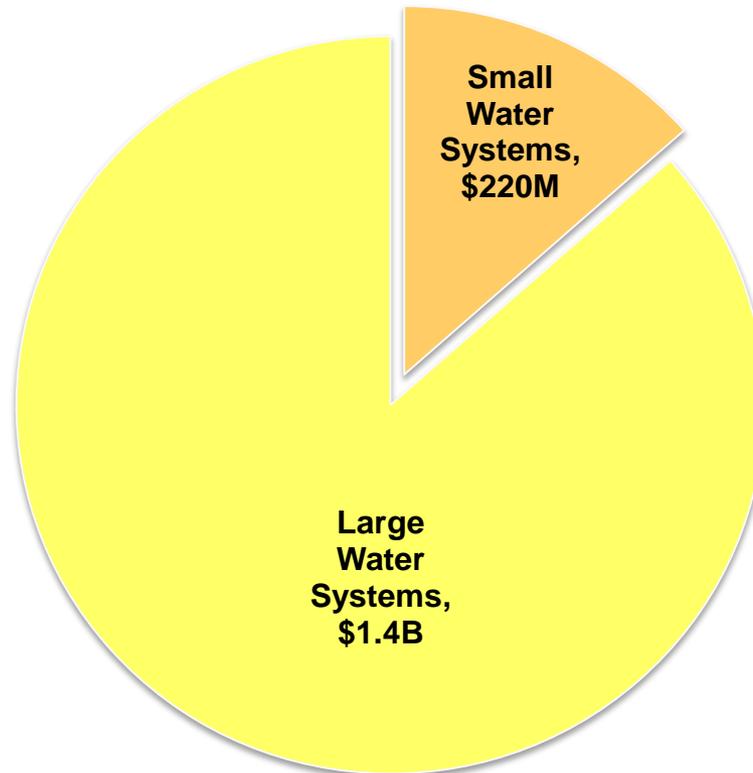
2013 FUNDABLE LIST		
Funding Type	Funding Amount	% of Total
Funding to Small Water Systems	\$35,273,487	10%
No. of Small Water System Projects	30	75%
Funding to Large Water Systems	\$321,493,026	90%
No. of Large Water System Projects	10	25%
Funding to "Disadvantaged"	\$201,441,513	57%
No. of Projects for "Disadvantaged"	37	93%



# Drinking Water State Revolving Fund (DWSRF)

## CDPH Program Statistics

Amount of Funding to  
Small Water Systems vs. Large Water Systems

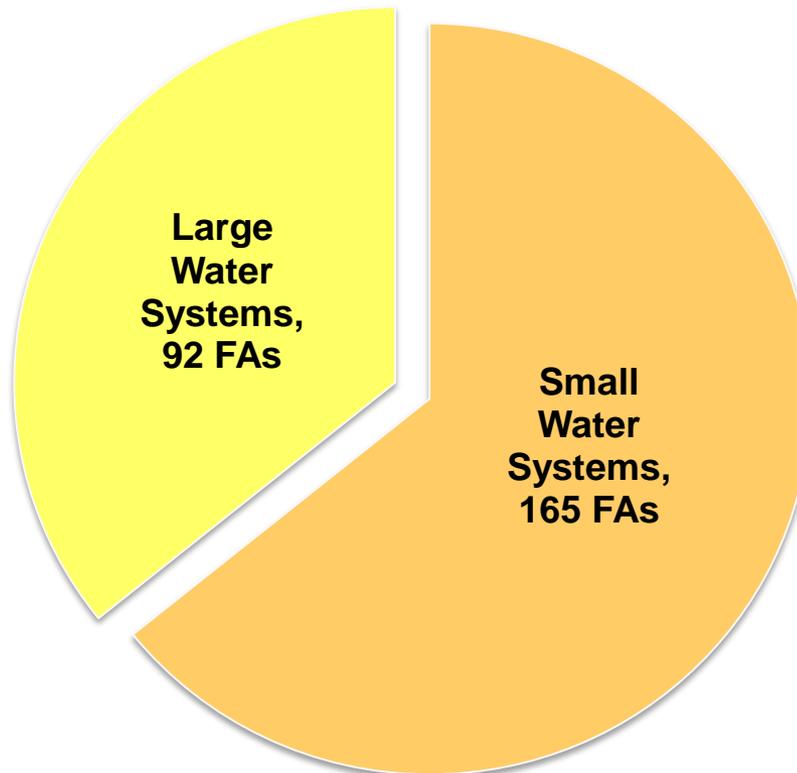




# Drinking Water State Revolving Fund (DWSRF)

## CDPH Program Statistics

Number of Funding Agreements to  
Small Water Systems vs. Large Water Systems

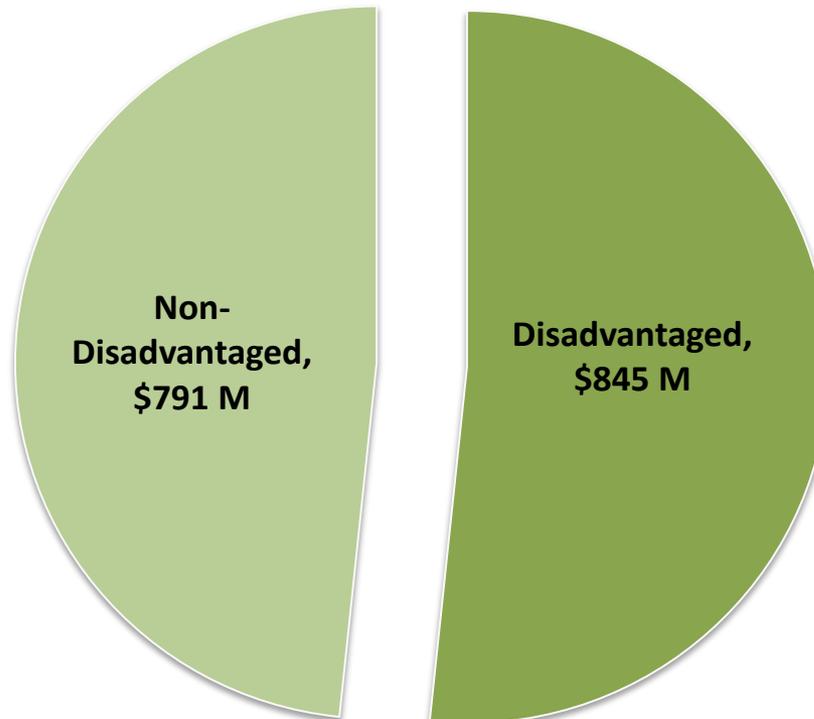




# Drinking Water State Revolving Fund (DWSRF)

## CDPH Program Statistics

Amount of Funding to  
Disadvantaged vs. Non-Disadvantaged Communities

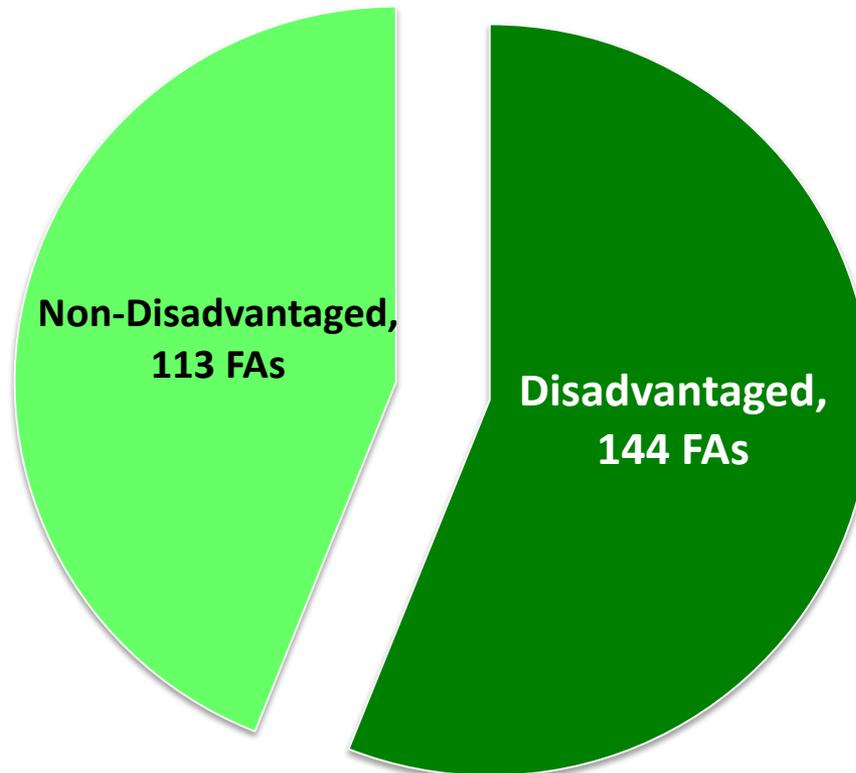




# Drinking Water State Revolving Fund (DWSRF)

## CDPH Program Statistics

Number of Funding Agreements to  
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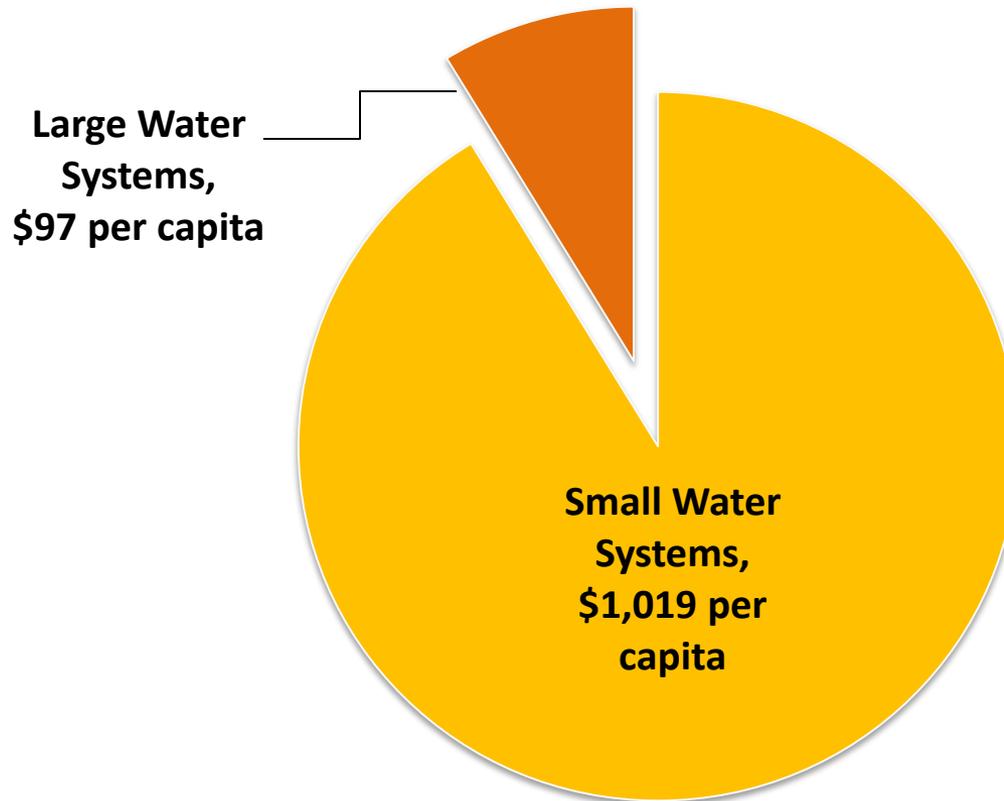




# Drinking Water State Revolving Fund (DWSRF)

## CDPH Program Statistics

Amount of Funding Per Capita for  
Small Water Systems vs. Large Water Systems

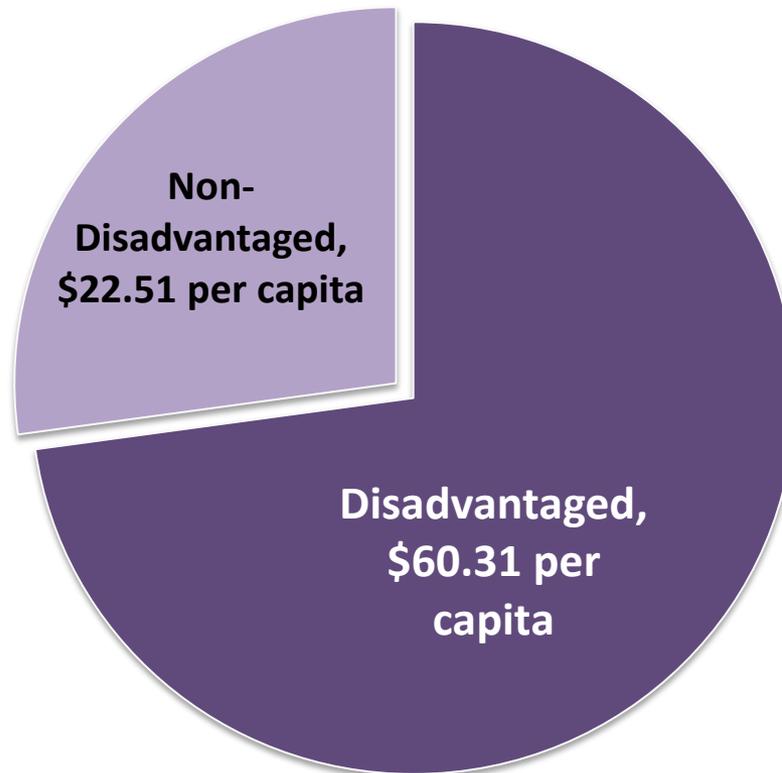




# Drinking Water State Revolving Fund (DWSRF)

## CDPH Program Statistics

Amount of Funding Per Capita for Disadvantaged vs. Non-Disadvantaged Communities

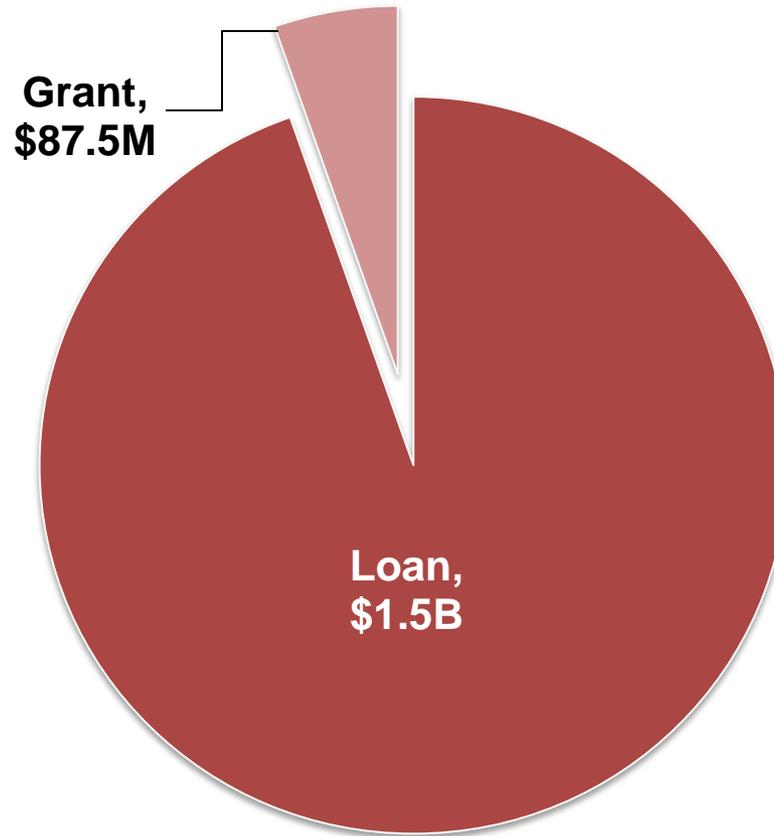




# Drinking Water State Revolving Fund (DWSRF)

## CDPH Program Statistics

### Amount of Loan vs. Grant Funding





# Drinking Water State Revolving Fund (DWSRF)

Main line: (916) 449-5600

1616 Capitol Ave (MS 7418)

P.O. Box 997377

Sacramento, CA 95899-7377

Email: [dwpfunds@cdph.ca.gov](mailto:dwpfunds@cdph.ca.gov)

Website: <http://www.cdph.ca.gov/programs/Pages/DWP.aspx>



# Drinking Water State Revolving Fund (DWSRF)

- Drinking Water Program District Offices

<http://www.cdph.ca.gov/programs/Documents/DDWEM/OriginalDistrictMapCDPH.pdf>

- Safe Drinking Water State Revolving Fund

<http://www.cdph.ca.gov/services/funding/Pages/SRF.aspx>